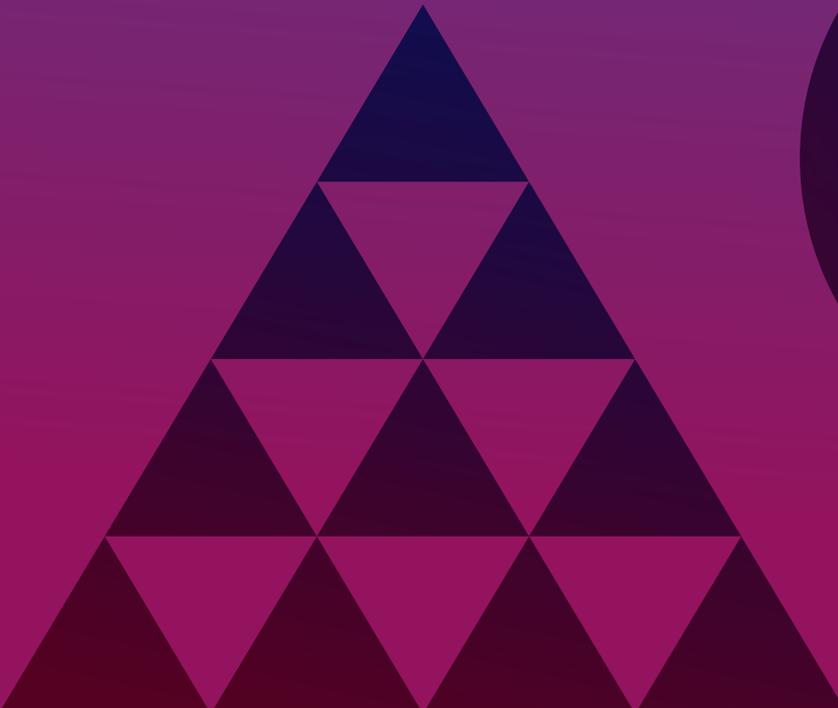
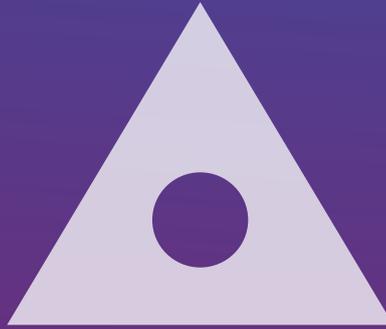


# IMPROVING FOOD & HEALTH

ANNUAL REPORT  
CORPORATE SOCIAL RESPONSIBILITY 2010/11



# CORPORATE SOCIAL RESPONSIBILITY

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# Management statement

In 2010/11 Chr. Hansen streamlined the governance structures to ensure that our vision and commitment to corporate social responsibility (CSR) are integrated in the daily routines across business divisions and borders. Chr. Hansen's CSR Board anchored at the top management level sets the overall direction for policies, strategies and goals implemented through global and local management systems based on internationally recognized standards. The establishment of the CSR Board in 2010 is a visible statement to our stakeholders that we take sustainability very seriously and intend to broaden our scope in this area.

In 2009/10 Chr. Hansen established global CSR ambitions for

2020. During the last year we have ascertained that our ambitions remain relevant to fulfil business goals while balancing considerations for the planet and the people who live on it. We stay on track in achieving our operational goals and are dedicated to ensure that activities supporting goal achievement are in place with clear roles and responsibilities.

We continue our support to UN Global Compact. This report reflects both how we integrate the UN Global Compact guidelines in our business activities and how we comply with specific requirements on reporting of corporate social responsibility of the Danish Financial Statements Act.

**Lars Frederiksen**  
CEO

# Managing CSR

Our ambitions and operational goals set by our CSR Board and our performance are reflected in the table showing Ambitions for 2020. Our non-financial statements and notes 2010/11 further elaborate on our results and activities supporting goal achievement.

## Our policies and positions

	Topics	Content
Business integrity	Environment & Biodiversity + CSR + Anti-corruption + Competition + Intellectual property	<p>Chr. Hansen conducts business with due respect to the society in which we operate. We are committed to continuous improvement, preventive actions and efficient utilization of resources, and we respect and operate according to the UN Convention of Biodiversity.</p> <p>We support and respect the protection of human rights and fair labor standards such as freedom of association, decent working time and remuneration.</p> <p>We do not accept or tolerate bribes in any form whether directly or indirectly, and we abide by the rules of fair dealing and fair competition. We also support international standardization and do our utmost to respect third parties' valid IP rights.</p>
Quality & Product Safety	Product safety + Allergens	<p>We want to meet or exceed our customers' expectations regarding product quality and services. This is why we apply risk identification and risk management and require 100% traceability on all our products. Product alerts are handled quickly to prevent or eliminate potential adverse impacts.</p> <p>Chr. Hansen provides useful, accurate and complete information about our products to ensure that consumers have sufficient information to avoid an accidental allergic reaction from consuming our products.</p>
People, Knowledge and Organization	Health & Safety + Competence development + Reward & Remuneration	<p>We are committed to continuously improve both our physical and psychological work environment to ensure our employees a safe working environment.</p> <p>It is our ambition to help people remain employable throughout their career, and we provide an attractive work environment with opportunities for development and creating results.</p> <p>We follow legal and industry standards for reward practices, and we provide terms and conditions of employment reflecting the effort and performance exercised by our employees and their value to the company.</p>
Finance and IT	Sustainable Sourcing + Tax	<p>Through strategic sourcing and co-operation with our suppliers we conduct responsible supply chain management in relation to product safety and product security as well as sustainability and social responsibility. We approve and monitor our suppliers to ensure compliance with requirements.</p> <p>We recognize tax as a cost of doing business, and we ensure correct tax payment in accordance with the applicable local legislation in each Chr. Hansen entity.</p>
Communication	Stakeholder engagement	<p>Corporate communication is used in both strategic and operational ways to assure a strategically managed and organized stakeholder management, engagement and relation building impact. We believe that successful communication depends on mutual understanding and cooperation.</p>

For more information on policies, activities and management systems regarding CSR, please refer to [www.chr-hansen.com/about\\_us/csr.html](http://www.chr-hansen.com/about_us/csr.html).

# Broadening the scope of our commitment

Chr. Hansen aims to drive strategic corporate social responsibility (CSR) projects with focus on supporting the development of our business.

At Chr. Hansen we take our responsibilities very seriously, with persistent focus on creating business value while showing consideration for the environment and society at large. We base our CSR activities on an open and honest dialogue with our major stakeholders and build our progress on the areas in which we traditionally hold a strong position.

## ENGAGING STAKEHOLDERS

CSR related issues are becoming even more important for our stakeholders including customers, suppliers, employees and investors. Chr. Hansen continues to seek an active dialogue with our stakeholders on these issues and to ensure alignment with globally recognised initiatives.

We endorse UN Global Compact and strive to continuously broaden the scope of our actions on principles, issues and goals as well as our engagement. Our policies, goals and actions match Global Compact's ten principles. In 2010/11, Chr. Hansen also joined the Carbon Disclosure Project as well as the Roundtable for Sustainable Palm Oil.

## IMPROVING PERFORMANCE

### PRODUCT SAFETY

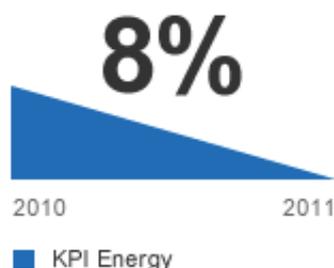
High product safety is a cornerstone in Chr. Hansen. In 2010/11 our North American and German production sites were granted the important Food Safety Certification FSSC 22000. In fact the plant in Milwaukee was one of the first sites in the US to obtain this certification.

Collaboration with food safety authorities has been high on our agenda for years. It is essential that the authorities get an understanding of our bioscience production and processes to make sure that national infrastructure is in place for regulating food manufacturers'. As a supplier to the food and life science industries Chr. Hansen aims at leveraging the power of local authorities to strengthen the establishment and enforcement of food safety law ensuring a high level of product safety.

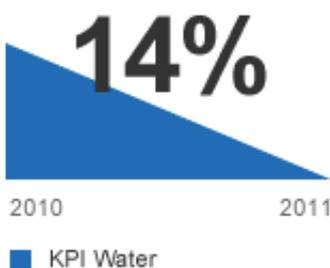
During 2010/11 we have proactively strengthened relations with food authorities in China, Germany and the Emirates. Following the melamine crisis in China in late 2008, the Chinese government started to prepare a new food safety law. Chr. Hansen's local regulatory team collaborated closely with the Food Industry Association which has formally recognized Chr. Hansen's efforts to assist in the implementation of the new stringent regulation in China. More on this story at <http://www.chr-hansen.com/about-us/csr/sustainability-at-work>.

In Germany we have cooperated with a Member of the German Parliament and head of the Committee for nutrition, agriculture and consumer protection who paid a visit to our production plant to learn more about our company and the challenges facing biotech companies. An important purpose of the visit was to further strengthen the relations with German authorities and address the need to clarify the distinction between green and white gene technology. This initiative is

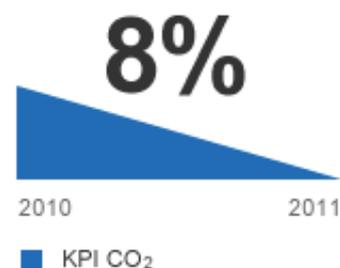
### ENERGY REDUCTION



### WATER REDUCTION



### CO<sub>2</sub> REDUCTION



described in more detail at <http://annualreport1011.chr-hansen.com/csrfcases>.

## ENVIRONMENT

Chr. Hansen strives to minimize the impact of our business activities on the environment and the surrounding society. In 2010/11 performance for energy and water consumption and CO<sub>2</sub> emission per produced unit improved. Our product divisions have improved performance of 14% for water, 11% for energy and 12% for CO<sub>2</sub> compared to last year. On a group level the performance was better than our overall target of increasing the water and energy consumption by half of the growth in production volume.

In our research and development we strive to increase product yields at our own production sites by improving technology and developing more efficient processes. We also concentrate on helping our customers increase product yields at their facilities. All development tracks result in reduced resource consumption and emissions to the environment. Resource efficiency in the entire life cycle will remain a key focus area.

Activities to achieve our environmental goals stay on track. During the year we initiated several process improvement projects, and more detailed mapping of consumption and emission patterns has helped us identify and prioritize focus areas for the various production sites. Read more at <http://www.chr-hansen.com/about-us/csr/sustainability-at-work>.

Innovation is vital for long term performance improvement in the entire value chain. Our dedicated team of highly skilled and passionate scientists and employees are key in strengthening our

bioscience platform. Several basic research projects not only improve the technical performance of our products, but also reduce the environmental impact significantly. A good example is an ongoing development project within Animal Health in collaboration with Aarhus University and funded by the Danish National Advanced Technology Foundation. This project aims at developing a specialized bacterial strain minimizing the protein content in pigs' feed and thus reducing the annual loss of nitrogen to the environment by more than 10%. You can read more about the project at <http://www.chr-hansen.com/about-us/csr/sustainability-at-work>.

Chr. Hansen is also part of the customer's solutions to reduce environmental footprint. A number of our products and concepts for fermented milk and cheese reduce the need for different raw materials or increase yield allowing the customer to produce more with less. Under the name of CHY-MAX<sup>®</sup>M, Chr. Hansen has developed a new generation of cost-effective coagulants offering a number of major benefits like reduced dosage and increased cheese yield of at least 3%. You can find more information at <http://www.chr-hansen.com/about-us/csr/sustainability-at-work>.

## EMPLOYEE RELATIONS

It is essential for Chr. Hansen to ensure that we have the employees and skills necessary to implement our business strategy. One of the most important strategic elements is the people factor. Going forward we will continue to give top priority to leadership excellence and assure high quality employee

development. By enhancing our winning culture and uniqueness, we will make sure that all employees in Chr. Hansen continuously grow and develop in order to release and expand their full potential.

### Demographics

In regions where our activities have increased significantly such as North America and Asia Pacific, Middle East & Africa we have hired more employees, primarily local staff resulting in a slight increase in total headcount by 2%. Employee turnover was at 13% ensuring a good balance between retention of experienced staff and the need to attract and recruit new employees.

### People development

As a knowledge-based company we are highly dependent on having committed and creative employees, and we want Chr. Hansen to be a great place to work. During a period of organizational change, we have maintained a strong focus on people development and quality leadership.

A key initiative in 2010/11 was the global roll-out of Situational Leadership II® - High Impact Leadership aimed at strengthening managers' ability to develop their employees' competencies and motivation. More than 160 managers worldwide have completed the program.

We have also initiated a global Key Account Management program – a unique program uniting the entire value chain where application specialists, product and marketing managers,

product supply staff and sales people join forces to strengthen the cross-functional co-operation and continue to deliver a great customer experience.

### Global mobility

In a global company it is crucial that our employees develop a global mindset. To this end, Chr. Hansen has introduced a new global mobility program, "The International Business Integration and Development" program (I BID) offering employees worldwide the opportunity to work abroad on significant business projects. The main purpose is to ensure development of our employees, while at the same time driving business and performance.

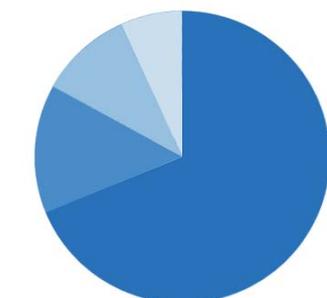
I BID is a short-term global development assignment (4 to 12 weeks) that provides employees with the opportunity to work on and solve a significant, well-defined project with business impact in another Chr. Hansen company. The participants are challenged in a number of ways at a professional and a personal level training their ability to address problems and challenges in new and creative ways while enhancing interaction and collaboration with colleagues from other countries. The I BID program allows us to get the best from our global diversity.

### Health & safety and employee well-fare

Creating a safe and healthy work environment requires a joint effort from all in Chr. Hansen. Unfortunately we have seen an increase in the frequency of accidents with absence to 12 in

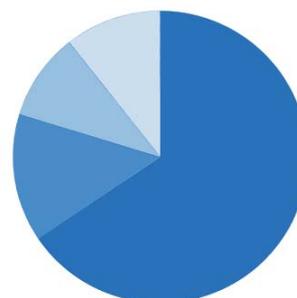
#### HEADCOUNT AUGUST 2010

Geographical distribution of headcount



#### HEADCOUNT AUGUST 2011

Geographical distribution of headcount



2010/11 from 9 in 2009/10. None of these accidents were severe, but to address the challenge we have decided to implement a series of new instruments reducing the risk of incidents and improving safe behavior in all parts of the organization.

Some of the instruments are incentive driven and integrated in management's short term benefits program. In addition, as part of our annual organizational audit process, we have integrated health and safety as a special focus theme at a department level. This implies that in the Unit Review for 2012 all department managers in Chr. Hansen worldwide must address how they plan to strengthen safe behavior and reduce the number of incidents within their sphere of influence. Another important tool in raising awareness and learning is systematic recording and root-cause assessment of near-misses.

## SUSTAINABLE SOURCING

Product and consumer safety is critical to Chr. Hansen as a supplier to the food and life science industries worldwide. Our global vendor management program extends the quality and risk assessment of the supply chain to also include CSR issues. The program includes assessment, audit, performance evaluation and approval of high risk vendors. This is done to ensure a high product safety level, traceability from farm to fork and knowledge of CSR challenges in the supply chain. An important part is to train and help our suppliers to improve product safety. You can read more about how we cooperate directly with our suppliers to align expectations and compliance level, for instance in China where we have considerably strengthened our supplier audits during 2010/11. Read more at <http://annualreport1011.chr-hansen.com/csrcases>.

The strong momentum in demand for natural colors put pressure on our sourcing of raw materials. In Chr. Hansen we strive to secure sustainable sourcing of raw materials. In addition to the basic vendor management program, we have engaged in various initiatives to educate farmers in good agricultural practices and knowledge of fair labor and operating practices. The initiatives include training in scientifically proven growth techniques, environmentally friendly handling of pesticides and irrigation and good hygienic conditions for employees.

Having resulted in a higher raw material quality and higher yields, the training represents a win-win situation in terms of better income for the farmer and increased supply security for Chr. Hansen. Overall the training program constitutes an economically, environmentally and socially sustainable solution

benefiting all parties involved. Read more about our educational activities for annatto farmers in South America at <http://annualreport1011.chr-hansen.com/csrcases>.

## BUSINESS INTEGRITY

In recent years we have stepped up efforts to assess our own CSR compliance. Our approach is a combination of tools such as review of annual self-assessments, internal audits and third party audits. The issues covered are environment, occupational health and safety, labor rights and business integrity. This activity supplements the annual audits at sites that are already certified according to ISO 14001 or OHSAS 18001.

The overall results are positive, documenting a high compliance level with guidelines and standards. There are, however, areas where we need global procedures to improve management of the issues. Improvement areas are for example introduction of individual contracts in countries where this is not formally required, handling of CSR non-conformities and grievance procedures.

During 2010/11 we introduced an interactive e-learning program in competition and anti-trust law in six languages. Approximately 420 employees have completed the program which will continuously be offered to relevant employees throughout the organization. In addition, we have been working on a similar interactive e-learning program in anti-corruption. We expect to be able to roll out this program to relevant employees during 2011/12, although we anticipate the need for additional training for relevant employees that are unable to comprehend the program in one of the language versions offered.

## SOCIAL INVOLVEMENT

We have a long tradition for engaging actively in a positive development in the local communities of which we are part of. The majority of projects are benefiting children through donation of products, equipment, foods or toys. In certain areas we are involved in projects contributing to local economic development and improving the health and education of local citizens.

Balancing between functional food and pharmaceuticals, the need for clinical documentation of our health promoting cultures increases along with growing consumer demand. In 2010/11, we have entered into new strategic partnerships to develop bioscience based nutritional products with documented health

benefits.

Looking ahead, we will continue to identify and pursue opportunities to combine business focus and innovation with social involvement. We collaborate closely with our customers on CSR issues and take an active part in various networks for sustainable business.

## **OUTLOOK**

In 2009/10 Chr. Hansen established global CSR ambitions for 2020. Going forward, we are dedicated to ensure that activities supporting achievement of goals are in place with clear roles, responsibilities and deadlines.

Within the next couple of years, we will further develop our strategy on stakeholder engagement and public affairs. We intend to expand our engagement to establish strategic partnerships with stakeholders relevant for our business, e.g. NGOs. In accordance with the guiding principles on Business and Human Rights we intend to implement the United Nation's 'Protect, Respect and Remedy' Framework.

It is of vital importance that our products hold the highest standards and food safety is already on top of our agenda. We are committed to continuous improvement through increased focus on state-of-the-art food safety management systems and certifications. We also aim at driving business excellence through increased focus on talent development.

Enabling equal opportunity to ensure diversity is an integrated part of our commitment to social responsibility and human rights. From a business perspective it makes sense. A diverse and inclusive workforce is likely to be much more creative and resourceful, thereby establishing the best conditions for innovation and other initiatives which are essential for the continued success of our business.

In our policy for business integrity we have made a clear commitment to equal opportunity. We will always employ the people best skilled for a particular job and avoid any discrimination between gender, age, ethnicity, religion or other personal convictions. In the coming year we will develop a strategy and ambitions for 2020 for diversity and inclusion.

In the consolidated non-financial statements we report in detail on our performance during the financial year.

# Performance on ambitions for 2019/20

Ambitions 2019/20		Goal accomplished 
		Pending 
		Goal not accomplished 
<b>Area</b>	<b>Ambition</b>	
Product safety and quality	Deliver the highest product safety standards - through the entire value chain	
	<b>Operational goals</b>	
	All production sites PAS 220/FSSC 22000 certified by 2012/13	
	0 recalls	
	Pass all audits	
	80% of customer complaints processed within 2 weeks by 2012/13	
	10% reduction in customer complaints measured against turnover and compensation per year	
<b>Area</b>	<b>Ambition</b>	
People development and welfare	Be an attractive employer through employee and business development	
	<b>Operational goals</b>	
	Employee turnover between 10-15%	
	Rate of absence less than 2%	
	Maintain more than 2 days of training per year per employee	
	Employee satisfaction survey rating of managers: Sterling managers >50%	Not conducted
	Result of employee satisfaction survey above benchmark	Not conducted
	Accidents with absence more than 1 day less than 5 per one million working hours by 2012/13	
	0 serious accidents	
<b>Area</b>	<b>Ambition</b>	
Sustainable sourcing	Assess, approve and monitor high risk vendors	
	<b>Operational goals</b>	
	All high risk vendors approved by 2012/13	
<b>Area</b>	<b>Ambition</b>	
Community involvement	Contribute to sustainable development through social involvement	
	<b>Operational goals</b>	
	Conduct at least 5 community projects per year	

<b>Area</b> Resource efficiency	<b>Ambition</b> Produce more with less	
	<b>Operational goals</b> Increase in water and energy consumption at maximum half of the production volume increase using 2008/09 as baseline	
<b>Area</b> Pollution prevention	<b>Ambition</b> Produce more with less	
	<b>Operational goals</b> Keeping the amount of waste at 2008/09 level	
	Recycle 50% of our waste	
	Reduce waste water discharge by 30% per produced unit using 2008/09 as baseline	
<b>Area</b> Climate change mitigation and adaption	<b>Ambition</b> Reduce our impact on climate change	
	<b>Operational goals</b> Reduce the amount of CO <sub>2</sub> by 30% per produced unit using 2008/09 as baseline	
	Conduct full Life Cycle Assessments on 3 products	
	Establish CO <sub>2</sub> and water footprint for major products, incl. packaging material and transportation	

# Key Performance Indicators

	Note	2010/11	2009/10	2008/09	2007/08	2006/07
EPI water (%) (1)	2	14	(3)	-	-	-
EPI energy (%) (1)	2	11	11	-	-	-
Raw/chemicals and packaging material (t)	3	90,981	90,461	78,736	108,383	99,980
Energy, total (MWh)	4	169,452	167,082	173,936	178,839	187,930
Water (m <sup>3</sup> )	5	1,112,729	1,148,072	1,112,855	1,126,149	907,488
Waste water (m <sup>3</sup> )	6	822,102	815,898	809,349	808,454	817,352
Biomass (ton)	7	49,806	52,951	42,829	33,347	30,924
Solid waste (ton)	8	3,408	3,352	3,401	3,857	5,569
Recycled waste (%) (2)	8	21	21	20	30	25
CO <sub>2</sub> (ton)	9	61,635	61,165	53,527	54,772	57,203
Environmental non-compliances (#) (3)	10	37	34	15	11	9
Rate of absence (%)	11	2	2	2	-	-
Employee turnover (%)	11	13	9	14	23	-
Training (days)	12	6,106	5,578	5,164	-	-
Employee satisfaction and motivation (4)	13	-	76	-	74	75
Sterling managers (%) (4)	13	-	45	-	47	48
Incident frequency (5)	14	12	9	7	14	12
Trained in anti-corruption (%) (6)	15	19	19	10	-	-
Passed audits (%)	16	100	100	100	100	100
Product retrievals (7)	17	5	4	6	6	3

\* Data for 2008/09 and 2009/10 has been reviewed by PwC. Data from 2006/07, 2007/08 and 2010/11 has not been reviewed by PwC.

1) EPI (Environmental Performance Indicator). The base year of the EPIs has been changed to 2008/09 and the weighting of each division has been changed to reflect the actual consumption. EPI before 2009/10 is to be found in previous annual reports

2) Recycled waste is a percentage of total waste

3) Environmental non-compliances incl. accidental spills

4) No employee satisfaction survey was conducted in 2010/11

5) Calculated as number of accidents with absence per 1,000,000 working hours

6) Accumulated percentage of business functions with a special exposure trained in anti-corruption

7) Retrieval, i.e. withdrawals as no actual recall has been required, except in 2006/07 and 2010/11 with one recall, respectively

# Note 1 - Accounting policies for consolidated non-financial statements

## DISCLOSING NON-FINANCIAL DATA

This is our third corporate social responsibility (CSR) report. Chr. Hansen has embarked on a process where we set strategies, goals and indicators that elucidate not only non-financial risks, impact and challenges but also business opportunities which are in correspondence with our commitments and internationally recognized principles.

The data included in the CSR report reflects issues relevant for our license to operate, i.e. regulatory requirements and potential business risks in relation to environment, labor standards, ethics, quality and product safety. It also reflects areas where the company has a significant impact and where it is our responsibility to act. Furthermore, the information addresses various concerns and interests of major stakeholders, such as society, employees, shareholders, customers and other business partners.

## WHO SUBMITS DATA

The criteria for collection of data are identical to our financial accounting principles, i.e. subsidiaries in which Chr. Hansen Holding A/S holds, directly or indirectly, 50% of the votes or any controlling interest are included.

## CHANGES FROM 2009/10

Functional Systems was divested by the end of the financial year 2010/11. Non-financial data for Functional systems is included in the reporting of Group performance for 2010/11. Any changes in performance associated with the divestment will materialize in 2011/12.

## ENVIRONMENTAL DATA

The environmental data covers activities, mainly related to production that may have a significant impact on our business. Data is reported by production sites, major warehouses, innovation, pilot plants and administration, while sites considered not having a significant environmental impact, such as pure sales offices, are excluded. Outsourced toll manufacturing activities are not included.

For data relevant to EPI the base year has been changed from 2004/05 to 2008/09, and the weight of each division has been changed to reflect the actual consumption of the division. The divisions have been restructured to fit the organizational structure.

## ENVIRONMENTAL PERFORMANCE INDICATOR (EPI)

We monitor our environmental performance using an environmental performance indicator (EPI). EPI is calculated on the basis of the production volume and/or product activity and the financial year 2008/09 marks index 100. An increase in EPI is an improvement. The EPIs have been changed to suit Chr. Hansen's organizational structure.

## RAW MATERIALS, CHEMICALS AND PACKAGING MATERIAL

Raw materials, chemicals and packaging materials comprise materials for production, cleaning and packaging of products. It does not encompass water used in products. Consumption is calculated as the first time the material enters production. It is recorded by weight in tons. Chemicals and cleaning chemicals are registered based on the purchased amount by weight.

## ENERGY

All energy used is registered based on direct meter readings (if meter readings are not available, the information is invoice based) and reported in MWh. If necessary the consumption is converted to energy on the basis on combustion value and weight by volume. Fuel consumption does not include transportation.

## WATER

Water comprises all sources and utilizations: product, non-contact cooling water, steam and domestic water. The source of the water can be the municipal water supply, private water supply, groundwater or surface water. Water volumes are reported in cubic meters on the basis of metered intake or invoices.

At some production sites, non-contact cooling water is either re-injected to the groundwater reservoir or reemitted to surface water. As the non-contact cooling water is not contaminated with neither products nor chemicals, and there is no net use, this source is not included in the calculation of our water consumption.

### WASTE WATER

Waste water discharge comprises waste water from production and other activities such as domestic waste water. All waste water is emitted to public waste water treatment plants. The water discharge is measured in cubic meters by flow meters at some sites, especially the large sites, and calculated at most sites, especially small sites, based on the incoming water volume (which is measured in cubic meters by metered intake).

Biological oxygen demand (BOD), nitrogen (N) and phosphorous (P) are measured as proportional flow, based on samples taken at the point of discharge at some of our facilities. For the remaining sites where it is not a regulatory requirement to measure, the content is estimated.

### BIOMASS

Biomass, i.e. by-product from production, is measured as the weight produced and reported in tons. It is utilized as liquid fertilizer, liquid feed or fuel for energy production.

### WASTE

Waste is the registered volume of solid waste broken down by fraction and disposal method. The fractions and disposal methods are defined by Chr. Hansen and include recycled waste (in a number of sub-fractions), hazardous waste, waste for incineration and waste for landfill. Waste is recorded by weight in tons based on weighing at the recipient or invoicing from the authorized handler.

### EMISSIONS OF GREENHOUSE GASES

Emissions of CO<sub>2</sub> from the energy consumption of Chr. Hansen are compiled. Emissions are calculated in tons. The conversion factors are based on the principles from the Greenhouse Gas Protocol combined with peer reviewed lifecycle based figures or nationally recognized key figures in the countries where our sites are located. Emissions from transportation are not included.

### INSTANCES OF ENVIRONMENTAL NON-COMPLIANCE

Breaches of regulatory limits and accidental releases are measured as the number of breaches/accidental spills reported to the authorities or the received notices of violation. Environmental complaints are the number of complaints received (be it in person, by phone or in writing) from stakeholders (i.e. authorities, neighbors, employees, NGOs). Registration of all non-compliances takes place at the end of the business day.

### SOCIAL DATA

Global data concerning people, people development and employee satisfaction is reported by all legal entities and sites. However, occupational health and safety (OHS) data is reported by production sites, major warehouses, innovation, pilot plants and administration, while sites considered having no significant impacts, such as pure sales offices, are excluded. The same reporting scope as for OHS data is in place for data regarding quality and product safety.

### EMPLOYEES

#### Number of employees

All headcount data is the number of employees reported and consolidated in the company's SAP system. The number of employees is the total number of employees at year end, excluding temporary employees.

#### Employee turnover

Employee turnover is calculated as an average percentage at the end of the financial year of the number of dismissals and employees voluntarily leaving the company during the period compared to the average number of employees during the same period. Temporary employees are not included in this number.

#### Demographics

Gender is calculated as the number of employees within each category at the end of the financial year.

#### Rate of absence

Rate of absence is calculated as an average percentage per region. The basis is the number of days employees have been absent due to own illness compared to the number of possible annual working days (240 working days). Absence due to illness

of own children or relatives as well as maternity/paternity leave is not included.

### **Employee development**

The average hours of training per year per employee are recorded locally in individual training records. The number is reported to Stakeholder Relations. For some small sites or offices, for example in Eastern Europe, the number of training hours is estimated for data before 2009/10. Data concerning performance and career development interviews is available via the employee satisfaction survey for 2005/06 to 2007/08 and 2009/10 for all sites. Data for 2008/09 and 2010/11 where no employee surveys were conducted, has been reported by the regional HR coordinators, in Denmark by Stakeholder Relations.

### **Employee satisfaction**

The employee satisfaction survey is conducted at least bi-annually. All employees that have a seniority of three months or more and who are not on leave of absence participate in the survey. Temporary employees are included if they have a contract of more than six months. Overall employee "satisfaction and motivation" and "loyalty" are measured, as is satisfaction on engagement drivers such as "professional and personal development", "daily work" and "immediate manager".

### **Occupational health and safety**

The number of accidents resulting in more than one day's absence from work and the incident type is recorded. Occupational illnesses are also recorded the first time they are registered.

Sites report the number of violations of health and safety regulatory requirements. Violations encompass the number of breaches reported to the authorities or notices of violation from the authorities. The number of complaints related to occupational health and safety is also recorded.

Performance for health and safety is measured by accident frequency. The accident frequency is calculated as accidents resulting in more than one day's absence per one million working hours, excluding sickness, maternity/ paternity leave and holidays. A decrease in the frequency is an improvement.

The accident frequency for occupational illnesses is calculated as the first time the incident is recorded per one million working hours.

The severity of accidents is measured as the number of days away from work per accident.

### **ETHICS**

Chr. Hansen Legal Affairs records the number of employees trained in the organization's anti-corruption and anti-trust policies and procedures for business functions that need to be especially aware of legal requirements and our commitments, such as sourcing, sales and finance.

### **QUALITY AND PRODUCT SAFETY**

#### **Customer and authority audits**

Sites are subject to audits by authorities, customers and certifying agencies. All relevant audits are registered in a central database owned by Corporate Quality. If the final audit report is not received at the time of reporting, we consider the audit in question conditionally approved.

#### **Customer complaints**

Complaints are perceived as vital information about the performance of our products and services. The number of received (justified or unjustified) customer complaints is recorded in the global complaint system.

#### **Product retrievals**

An internal procedure is in place for managing incidents that can lead to withdrawal or recall of products. All products sold by Chr. Hansen are subject to this procedure. Retrievals are recorded on the day the decision was made to retrieve.

# Notes to Non-financial statements

## Note 2 - Environmental performance indicator

The overall environmental performance for the financial year 2010/11 improved compared to 2009/10. The reduction target was more than met for both water and energy. Water was reduced by 14% in total numbers and energy by 11%. Natural Colors and Cultures & Enzymes improved performance for both water and energy. The EPI developments for Health & Nutrition were at the same level and better compared to last financial year. We strive to continue the positive development to achieve our 2020 environmental targets.

	Unit	2010/11	2009/10	2008/09	2007/08	2006/07
EPI - water, Cultures & Enzymes	EPI	110.1	96.9	100	-	-
EPI - water, Health & Nutrition	EPI	77.1	77.7	100	-	-
EPI - water, Natural Colors	EPI	128.3	106.4	100	-	-
Samlet EPI	EPI	110.5	96.8	100	-	-
Average EPI - water (% improvement)	%	14	(3)	-	-	-
EPI - energy, Cultures & Enzymes	EPI	118.8	112.0	100	-	-
EPI - energy, Health & Nutrition	EPI	86.7	80.0	100	-	-
EPI - energy, Natural Colors	EPI	144.0	119.7	100	-	-
Samlet EPI	EPI	122.4	111.2	100	-	-
Average EPI - energy (% improvement)	%	11	11	-	-	-

## Note 3 - Raw materials, chemicals and packaging

The raw material consumption increased 2%, which is line with the increased output in the same period. The 14% increase in chemicals/auxilliary material and 9% increase in consumption of packaging materials primarily originate from a change in product mix and extraordinary consumption of N<sub>2</sub> for cooling purposes. A new packaging concept will be implemented in 2011/12, which is expected to reduce our packaging material consumption. We will strive to reduce the consumption of materials per produced unit from 2011/12 and onwards.

	Unit	2010/11	2009/10	2008/09	2007/08	2006/07
Raw material	ton	38,802	38,150	38,562	66,476	63,616
Chemicals/auxilliary material	ton	47,750	42,053	30,850	32,180	26,768
Packaging material	ton	11,155	10,258	9,324	9,727	9,596

**Note 4 - Energy**

The total energy consumption increased by 1% compared to 2009/10. Except for steam usage there were no significant changes in the consumption pattern. The steam consumption was reduced by 8% which is a result of energy optimization. Focus on insulation has improved the energy consumption profile significantly for the involved production site. District heating and natural gas increased due to a cold winter in 2010/11. Energy focus is an important part of our strategy towards 2020.

	Unit	2010/11	2009/10	2008/09	2007/08	2006/07
Total energy consumption	MWh	169,452	167,082	173,936	178,839	187,930
Electricity	MWh	63,572	62,721	62,681	66,222	70,428
District heating	MWh	10,845	10,580	12,063	12,895	10,489
Steam (purchased)	MWh	7,978	8,705	8,309	7,843	8,032
Propane, butane, flask gas	MWh	173	172	185	4,728	5,596
Natural gas	MWh	83,123	81,161	86,553	82,893	77,097
Fuel and gas oil	MWh	3,762	3,743	4,146	4,257	4,742
Biomass	MWh	-	-	-	-	11,545

**Note 5 - Water**

Looking at the last couple of years there are only minor fluctuations in water consumption. However a 4% decrease is observed for potable water. It is a normalization compared to 2009/10 and a result of increased focus on water consumption. It is worth noticing that the production volume increased in the same period. The effort continues. Reducing water consumption is a high priority target and part of our 2020 strategy.

	Unit	2010/11	2009/10	2008/09	2007/08	2006/07
Total water consumption	m <sup>3</sup>	1,112,729	1,148,072	1,112,855	1,126,149	907,488
Potable water	m <sup>3</sup>	908,956	943,581	890,875	925,329	731,942
Groundwater	m <sup>3</sup>	203,773	204,491	221,980	200,820	175,546

**Note 6 - Waste water**

In 2010/11 the waste water discharge increased by 1% but the content of nutrients was significantly reduced. Phosphorous (Total P) was reduced by 25% and nitrogen (Total N) by 8% compared to 2009/10. The Biological Oxygen Demand (BOD) was reduced by 4%. The main reason was implementation of new waste water handling in France, where more concentrated biomass is reused as fertilizer, feed or biogas production. We expect further reduction of nutrients in 2011/12 where the new setup will be fully implemented.

	Unit	2010/11	2009/10	2008/09	2007/08	2006/07
Total waste water	m <sup>3</sup>	822,102	815,898	809,349	808,454	817,352
BOD	ton	2,524	2,618	2,546	2,737	3,175
Total-N	ton	260	282	324	373	318
Total-P	ton	62	83	76	80	61

**Note 7 - Biomass**

The amount of recycled biomass decreased by 6% compared to 2009/10. The decrease relates to a change in the product mix and reallocation of activities like outsourcing of processes. All biomass is utilized as liquid fertilizer, liquid feed or for biogas production. The volume of recycled biomass is expected to increase in 2011/12 due to new waste stream handling at our production site in France.

	Unit	2010/11	2009/10	2008/09	2007/08	2006/07
Recycled Biomass	ton	49,806	52,951	42,829	33,347	30,924

**Note 8 - Waste**

The solid waste generated increased by 2%. In comparison the total recycled waste increased by 6%. The overall recycling percentage is unchanged at 21%. The specific recycling within each category fluctuated considerably compared to last financial year. The explanation is that a few sites have got new recycling fractions and others have carried out clean-up activities like recycling production equipment. The 19% increase in hazardous waste also originates from scrapping.

	Unit	2010/11	2009/10	2008/09	2007/08	2006/07
Recycled waste, total	ton	727	689	696	1,166	1,371
Recycling: Paper/cardboard	ton	346	393	428	481	747
Recycling: Plastic	ton	72	104	92	138	130
Recycling: Metals	ton	113	73	45	121	87
Recycling: Glass	ton	6.74	0.99	0.98	0.14	0.09
Recycling: Wood	ton	178	97	111	251	142
Recycling: Other	ton	10	21	18	175	265
Recycling	%	21	21	20	30	25
Incineration	ton	905	1,017	967	937	897
Landfill	ton	1,684	1,568	1,645	1,696	3,189
Hazardous waste	ton	93	79	93	59	112
Solid waste	ton	3,408	3,352	3,401	3,857	5,569

**Note 9 - Emissions of greenhouse gases**

The emission of CO<sub>2</sub> increased 1%. The energy consumption did not increase significantly and the energy mix did not change compared to 2009/10. We managed to keep the emission level from 2009/10 in a situation where our production increased. Reducing the total CO<sub>2</sub> emission and striving to implement cleaner technology and processes remain focus areas.

	Unit	2010/11	2009/10	2008/09	2007/08	2006/07
CO <sub>2</sub>	ton	61,635	61,165	53,527	54,772	57,203

**Note 10 - Instances of environmental non-compliance**

Chr. Hansen had six notices of violation of regulatory requirements in 2010/11 from the authorities. Four related to wastewater discharge, one related to odor and the last notice related to noise. All notices were handled in cooperation with the authorities, and there are no outstanding claims. We have recorded an additional 30 non-conformities, including accidental releases that were reported to the authorities. 25 of these were nutrient concentrations above the waste water discharge permit limit, including accidental product releases. Four related to handling of waste. In addition, one non-conformity in the category odor was reported. No adverse effects from the mentioned non-compliances were observed. The increase in the number of violations is primarily a result of increased focus on reporting of incidents. In 2010/11 we received six environmental complaints from stakeholders. Three complaints concerning odor and three regarding noise. All complaints were handled and solved in dialogue with the involved stakeholders.

	Unit	2010/11	2009/10	2008/09	2007/08	2006/07
Violations of environmental regulatory requirements (including accidental releases)	Number	37	34	15	11	9
Complaints	Number	6	2	11	1	9

**Note 11 - People**

During 2010/11 the number of employees increased by 2% on average to 2,360 employed persons at the end of the year, which equals full-time-equivalents (FTEs) of 2,337. The average number of employees were 2,411 during 2010/11. Our regions South America and Europe reduced the number of employees, while the regions Asia-Pacific, Middle East & Africa and North America, respectively, increased because of more activity in the regions. The greatest percentage increase was in Asia-Pacific, Middle East & Africa by 58%. The gender ratio remains 61% men and 39% women. The employee turnover rate has increased from 9% to 13% (Voluntary 9%, In-voluntary 3%) compared to 2009/10, which lies within our target of 10-15%. Attracting and retaining the right talented people are key objectives for Chr. Hansen.

	Unit	2010/11	2009/10	2008/09	2007/08
Total number of employees	Number	2,360	2,303	2,178	2,130
Asia-Pacific, Middle East & Africa	Number	250	158	106	92
Europe	Number	1,547	1,584	1,521	1,492
North America	Number	335	327	308	318
South America	Number	228	234	243	228
Number of Fulltime equivalentents (FTE)	Number	2,337	2,268	2,143	-
Employee turnover (average)	%	13	9	14	23
Rate of absence (weighted average)	%	2	2	2	-

**Gender**

Female	%	39	39	39	-
Male	%	61	61	61	-

**Note 12 - Training and Personal Development Interview**

During the last financial year the number of training days increased by 9% globally, corresponding to 528 days. The number is likely to be higher, as e.g. Danish data only partially includes external training (open enrolment course). The total number of training days constitutes approximately 2.6 training day per employee, which is an increase from last financial year. The strong and persistent focus on training and development in the past five years, clearly illustrated by the increased number of training days, will continue in the coming years. Training and development are strategic focus areas for Chr. Hansen. In 2010/11 we increased the number of employees, who have had a Performance Development Interview with their immediate manager to 94%. This indicates that we continue to have a strong focus on individual development planning, as this is an established part of the PDI process. The numbers support that PDIs are now integrated in our business.

<b>Training</b>	Unit	2010/11	2009/10	2008/09	2007/08	2006/07
Total number of Training Days	Days	6,106	5,578	5,164	-	-
Asia-Pacific, Middle East & Africa	Days	606	648	257	-	-
Europe	Days	4,041	2,892	3,203	2,848	2,302
North America	Days	777	1,318	599	-	-
South America	Days	682	720	1,105	-	-

<b>Performance Development Interview</b>	Unit	2010/11	2009/10	2008/09	2007/08	2006/07
<b>Total</b>	%	94	88	90	85	79
Asia-Pacific, Middle East & Africa	%	100	88	100	93	77
Europe	%	91	88	86	88	82
North America	%	100	89	100	85	75
South America	%	99	88	91	78	76

**Note 13 - Employee satisfaction**

No employee satisfaction survey has been conducted in 2010/11.

	Unit	2010/11	2009/10	2008/09	2007/08	2006/07
Satisfaction & motivation	Score	-	76.0	-	74.1	74.7
Loyalty	Score	-	84.5	-	80.6	81.2
Daily work	Score	-	77.9	-	76.5	-
Professional and personal development	Score	-	69.2	-	66.8	67.0
<b>Managers</b>						
- Sterling manager	%	-	45	-	47	48
- Weak manager	%	-	8	-	7	8

**Note 14 - Occupational health and safety**

The number of lost time incidents increased compared to 2009/10, which results in a frequency increase from 9 to 12 accidents with absence per one million working hours. The lost time incidents fall consistently in the categories strains, contusions and heat injuries. It is indicated that the severity of accidents has decreased. Chr. Hansen has had no fatal accidents. There is focus on preventive actions, safe behavior initiatives and incentive drivers such as implementation of health and safety performance in our bonus program and to include health and safety in our annual organizational review. The aim for 2012/13 is maintained at reducing the frequency to 5 accidents with absence per one million working hours. The number of occupational illnesses increased from 8 to 9 in 2010/11. Muscle-skeletal disorder is the main reason for the illnesses. The incidents have not required transfer to other jobs neither internally in Chr. Hansen nor to other companies. There has been one notice from the authorities, including 12 violations, related to health and safety. We were fined for half of the violations. All has been corrected and there are no outstanding claims. There were no complaints in 2010/11.

	Unit	2010/11	2009/10	2008/09	2007/08	2006/07
Number of occupational accidents(away from work more than one day)	Number	46	34	27	56	52
Number of occupational illnesses	Number	9	8	7	7	8
Violations of occupational health & safety regulatory requirements	Number	1	-	-	1	-
Complaints	Number	0	1	0	0	0
Frequency of Accidents with absence more than one day per one million working hours		12	9	7	14	12
Frequency of occupational illnesses per one million working hours		2	2	2	2	2
Severity (number of days away per accident with absence)		9	12	9	9	9

**Note 15 - Ethics**

In 2010/11 we focused on developing an e-learning platform for more extensive training in anti-trust. Approximately 420 employees have been trained including executive management. During the coming year, we expect to roll out a similar program on anti-corruption as well. Of the 420 trained several are already included in the number reported for 2009/10, therefore, the percentage remains unchanged.

	Unit	2010/11	2009/10	2008/09	2007/08	2006/07
Training in anti-corruption and anti-trust policies and procedures for sourcing, sales and finance organizations.	%	19	19	10	-	-

**Note 16 - Quality and product safety**

Chr. Hansen passed all audits in 2010/11. We are benchmarking audit performance between the sites and measure it up against food safety KPIs. Going forward we will include certifying agencies in the audit overview. The number of complaints has increased 23% reflecting a general increase in activities. The operational target will be changed for the coming year to allow for an increase in activity level, i.e. to express the number of complaints in proportion to turnover but to maintain the 10% target level. The compensation level is above the 10% goal. The handling time of each complaint is still too high compared to our goal of 80% response in 2 weeks.

	Unit	2010/11	2009/10	2008/09	2007/08	2006/07
Customer and authority audits	Number	77	95	67	73	41
Customer and authority audits passed	%	100	100	100	100	100
Customer complaints	Number	2,846	2,308	2,275	2,637	2,742

**Note 17 - Product retrievals**

We had one product recall in 2010/11 where milk based cultures were used in a yoghurt that was sold to consumers with milk allergy. There are no specific trends in the number or types of product retrievals. All incidents that can lead to withdrawal or recall of products are managed by specially trained teams to ensure 100% harmonization and coordination in all markets. We had a total of 4 withdrawals in 2010/11.

Food safety hazard	Reason for product retrieval in 2010/11
Product safety (recall)	1) Wrong application of milk based culture in yoghurt sold to consumers with milk allergy
Legal	None
Quality (1)	1) Yeast problem in color 2) Wrong recipe in silage additive 3) Precipitate in culture 4) pH out of spec in color

	Unit	2010/11	2009/10	2008/09	2007/08	2006/07
Product retrievals	Number	5*	4	6	6	3*

(1) Quality related recalls do not implicate risks for the consumers.

\* One recall in 2006/07 and one in 2010/11